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USDA Announces Latest Actions in the Eastern Livestock Company Failure

WASHINGTON, Nov. 22, 2010 - The U.S. Department of Agriculture's Grain Inspection, Packers and Stockyards Administration (GIPSA) on Friday November 19, 2010, filed an administrative complaint charging Eastern Livestock Company, LLC, and Tommy P. Gibson of New Albany, Indiana, with:

- failure to pay for livestock purchases;
- failure to pay timely for livestock purchases; and
- failure to maintain an adequate bond.

Eastern Livestock Company (Eastern) is one of the largest cattle brokerage companies in the United States, with operations in 11 states across the Mid-South, Midwest, and West.

"We take very seriously our responsibility to ensure that producers receive all protections afforded them by law and we will be working closely with the Department of Justice and law enforcement officials in the weeks and months ahead," said John Ferrell, Deputy Under Secretary for Marketing and Regulatory Programs.

GIPSA currently estimates that Eastern owes more than \$130 million to 743 sellers in 30 states. As of today, the agency has documented \$81 million in returned checks and is currently onsite at Eastern's headquarters assessing the situation, investigating possible violations of the Packers and Stockyards Act, and working to ensure that all available protections are afforded to producers.

Outline of events:

- On November 3, 2010, a livestock seller complained to GIPSA that a payment check received for livestock sold to Eastern had been returned due to insufficient funds.
- On November 4, 2010, GIPSA deployed investigators to Eastern's headquarters to investigate the original and subsequent complaints of failure to pay for livestock. GIPSA also began deploying rapid response teams to markets nationwide that could be impacted by Eastern's financial failure. The Agency also began issuing letters to unpaid sellers encouraging affected producers to submit bond claims. As of November 17, 2010, GIPSA issued 743 letters.
- On November 9, 2010, USDA issued a news release, Bond Information for Producers Who Sold Livestock to Eastern Livestock Company, LLC, explaining the situation and providing information on how to file bond claims under the Packers and Stockyards Act.
- On November 9, 2010, Fifth Third Bank filed a motion with the Hamilton County Court of Common Pleas in Ohio requesting issuance of a temporary restraining order and the appointment of a receiver. The court appointed

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Elizabeth M. Lynch, of Development Specialists Inc., of Cleveland, Ohio, as receiver to work on behalf of Eastern's creditors, among which Fifth Third Bank is the secured creditor. The court also granted a temporary restraining order enjoining Eastern's access to and dissipation of its financial assets.

- On November 10, 2010, Capital Indemnity Corporation served notice on Eastern cancelling Eastern's surety bond for \$875,000 effective December 30, 2010.

The receiver will be working to ensure that the secured creditor is paid. After the secured creditor, the bank, is paid the unsecured creditors, including livestock sellers, will be paid out of remaining funds. The receiver is authorized to take immediate possession, control, management, and charge of Eastern Livestock's accounting books and records of whatever nature and wherever located, in the possession of Eastern Livestock or any other person or entity, including all information regarding the assets, liabilities, equity, income, and expenses of Eastern Livestock.

Purchasers of livestock and others affected by this incident who are unsure to whom to make payment for livestock purchases need to carefully consider their options in light of the applicable state and federal laws. Unpaid sellers may contact GIPSA at 515-323-2579 for information on filing bond claims.

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GIPSA Release #96-10

Contact:
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